



GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



The Essential Role of Adequate Accounting Systems for Government Contractors

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Our Government Contracting Team

- Combined experience of 65+ years specializing in accounting and consulting for organizations doing business with the US Government
- Involved with:
 - Maryland Association of CPAs Government Contracts Committee
 - The Technology Council of Maryland
 - National Contract Management Association





Overview

- Examples of Common Accounting Systems
- Key Accounting System Components
- Importance of Written Policies and Procedures
- Internal Control Environment



Examples of Common Accounting Systems Used by Government Contractors

- QuickBooks
- Deltek First (Cloud-based)
- Deltek GSC Premier
- Deltek CostPoint
- PROCAS
- Many others ...



Key Components of an Acceptable Accounting System

- Chart of accounts that separates direct, indirect and unallowable costs
- Accumulates costs by contract and/or task order
- Provides cost data so that indirect costs can be allocated to cost objectives based upon relative benefits received



Key Components of an Acceptable Accounting System (cont.)

- Provides profit and loss reports by contract that can be reconciled with the general ledger
- Has a timekeeping system
- Has a labor distribution system that charges direct and indirect labor to the appropriate cost objectives



Key Components of an Acceptable Accounting System (cont.)

- Identifies and segregates unallowable costs (FAR Part 31)
- Cost accounting records are reconciled to and controlled by the general ledger on a current basis
- Maintaining and following accounting policies and procedures



Important Written Policies and Procedures

1. Assignment of authority and areas of responsibility
 - Adequate segregation of duties if possible
2. General accounting system
3. Identification and exclusion of unallowable costs



Important Written Policies and Procedures (cont.)

4. Direct/indirect charge practices
5. Allocation of indirect costs to final cost objectives
6. Approval and documentation of journal entries



Important Written Policies and Procedures (cont.)

7. Establishment of account numbers
8. Approvals for establishing contract charge numbers
9. Allocation of income, rebates, refunds, allowance or other miscellaneous credits



Internal Control Environment

1. Correct noted deficiencies promptly
 - CPA's management letter
 - DCAA internal control audits
2. Maintain written policies and procedures
3. Reconcile cost accounting records
4. Identify costs by contract



Labor System Controls

- Initiate/maintain training program to reasonably assure that all employees are aware of proper time charging
- Write procedures and policies that provide labor documentation/work
 - Identify the work to be performed
 - Track labor charges to a final cost objective
 - Explain allowable or unallowable/direct or indirect



Labor System Controls (cont.)

- Maintain written timekeeping policies and procedure to ensure labor hours are accurately recorded
 - Corrections are documented
 - Authorizations and approvals needed



Purchasing/Estimating Controls

- Describe the major manual and automated systems that comprise the material management and accounting system in policies and procedures
- Write estimating policies and procedures regarding:
 - Employee training
 - Assignment of authority and responsibilities
 - Cost estimate development
 - Estimating system process, activities and functions



Billing, Planning and Budgeting Controls

- Written billing policies and procedures should address:
 - Employee training
 - Contract briefing to identify special billing provisions and limitations
 - Management review of billings
 - Make sure you bill from your accounting system!



Billing, Planning and Budgeting Controls (cont.)

- Written policies and procedures for the planning and budgeting system should include:
 - Description of the system
 - Formal assignment of duties



Final Thoughts

- Be proactive
- Review your system in detail BEFORE your system audit
- Make sure policies and procedures are written and followed
- Follow your timekeeping procedures
- Keep your books up to date
- Questions?



Final Thoughts (cont.)

- Important References
- FAR Part 31: Contract Principles and Procedures
 - www.acquisition.gov/far
- “Information for Contractors”
 - www.dcaa.mil

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